

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
FIRST SET OF INFORMATION REQUESTS TO THE ATTORNEY GENERAL**

The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-1

Date: July 28, 2003

KEDNE-1-1 Please provide copies of all prefiled testimony or reports (including all associated exhibits and attachments) submitted by Mr. Effron to state and federal regulatory authorities (including the Federal Energy Regulatory Commission and the Securities and Exchange Commission) from 1993 to the present relating to: (1) the allocation of service-company expenses among affiliates of a public-utility holding company registered under the Public Utilities Holding Company Act of 1935; (2) ratemaking for pensions and post-employment benefits other than pensions ("PBOP"); (3) accounting for pension and PBOP expenses (4) performance-based rate regulation; (5) incremental cost accounting; (6) a reconciliation adjustment mechanism relating to any utility cost element; and (7) cost of capital.

Response:

Mr. Effron does not maintain a data base of subjects addressed in prior testimonies. He will provide copies of all prefiled testimony or reports from 1993 to the present for inspection and copying at his office to a designated representative of the Company on reasonable notice.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-2

Date: July 28, 2003

KEDNE-1-2 Provide copies of all regulatory decisions addressing the issues covered by Mr. Effron in testimony provided in response to KEDNE-1-1. Identify the decision making authority, docket number, year of the decision, and any official citation to the decision

Response:

See the response to KEDNE-1-1. To the extent regulatory decisions for cases in which Mr. Effron testified are in his possession, he will provide copies of such regulatory decisions for inspection and copying at his office to a designated representative of the Company on reasonable notice.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-3

Date: July 28, 2003

KEDNE-1-3 Please list all places of employment, positions held and the dates of employment since 1973.

Response:

See attached resume of Mr. Effron.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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Attachment KEDNE 1-3

RESUME OF DAVID J. EFFRON

UTILITY REGULATION EXPERIENCE

Assistance to offices representing customer interests in Rhode Island, Maryland, Massachusetts, Illinois, and Texas regarding electric utility restructuring matters.

Presentation of testimony on various utility regulation matters involving electric, gas, telephone, and water utilities in the following jurisdictions: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Missouri, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, and FERC.

Assistance to attorneys in preparing discovery, cross-examination, post-hearing briefs, and analysis of orders; provision of technical assistance during settlement negotiations.

CABLE CONSULTING EXPERIENCE

Assistance to local franchising authorities in financial feasibility reviews, regulation of cable rates, franchise fee audits, and negotiation of franchise agreements.

OTHER BUSINESS EXPERIENCE

Supervision of capital project analysis, capital budgets, spending reports, leasing program, and special studies; feasibility studies, accounting systems, statistical surveys; audits of publicly held companies in various industries.

EMPLOYMENT HISTORY

<u>Dates</u>	<u>Company</u>
March 1982 - Present	Berkshire Consulting Services (Self employed)
January 1977 - February 1982	Georgetown Consulting Group
April 1975 - January 1977	Gulf & Western Industries
February 1973 - March 1975	Touche Ross & Company

EDUCATION

Columbia University, MBA, 1973
Dartmouth College, BA Economics, 1968

HONORS AND AWARDS

Gold Charles Waldo Haskins Memorial Award for the highest scores in the May 1974
Certified Public Accounting Examination in New York State.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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Graduated from Dartmouth College with distinction in the field of
Economics.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-4

Date: July 28, 2003

KEDNE-1-4 Please list all matters on which Mr. Effron has consulted in the past five years by date beginning with the most current matters. For each matter, provide a brief description of the subject matter of the project and indicate for whom these services were provided.

Response:

Mr. Effron does not maintain a data base of subjects on which he has consulted in the past five years. In addition, to the extent such consultations did not result in written testimony, such consultations are confidential. However, see attachment for general description subject matter of testimonies presented by Mr. Effron in the past five years.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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Attachment KEDNE 1-4

TESTIMONIES PRESENTED BY DAVID J. EFFRON

<u>State</u>	<u>Company</u>	<u>Docket No.</u>	<u>Svc.</u>	<u>Client</u>	<u>Date</u>	<u>Subject</u>
GA	Georgia Power Company	9355-U	E	CUC	Oct-98	Alt. Reg.
GA	Atlanta Gas Light Company	14311-U	G	CUC	Apr-02	Alt. Reg., RevReq Iss.
IL	Commonwealth Edison Co.	00-0361	E	AG	Aug-00	Decommissioning
IL	Illinois Power Company	01-432	E	AG, et. al.	Nov-01	Rev Req DelivSvc
IL	Commonwealth Edison Co.	01-423	E	City, et. al.	Nov-01	Rev Req DelivSvc
IL	Central Illinois Light Co.	02-0428	E	AG	Oct-02	Merger
IL	Central Illinois Light Co.	02-0837	G	AG, CUB	Jun-03	Rev Req
IL	AmerenCIPS, AmerenUE	03-0008,09	G	AG	Jul-03	Rev Req
MA	NIPSCO/Bay State Gas	98-31	G	AG	Jul-98	Merger
MA	Western Mass Electric	97-120	E	AG	Nov-98	Restructuring
MA	Fitchburg Gas & Electric	99-58	E	AG	Oct-99	Restructuring
MA	Fitchburg Gas & Electric	99-110	E	AG	May-00	Trans. Charge
MA	Western Mass Electric	00-33	E	AG	May-01	Trans. Charge
MA	Fitchburg Gas & Electric	99-118	E	AG	Jun-01	Rev Req
MD	Potomac Electric Power	8791	E	MPC	Sep-98	Rev Req
MD	Baltimore Gas & Electric	8829	G	MPC	Apr-00	Rev Req
MD	Baltimore Gas & Electric	8883	E	MPC	Aug-01	Corp. Separation
MD	Pepco/Delmarva	8890	E	MPC	Oct-01	Merger
MD	Potomac Electric Power	8796	E	MPC	Mar-02	Trans. Credit
MO	Union Electric Company	EC-2002-1	E	OPC	May-02	Rev Req Issues
OH	Carroll Twmsp. Treatment Svcs.	00-1595-ST-CRC	W	OwnAssoc.	Mar-02	Rev Req
RI	Blackstone Valley, Newport	2514	E	DIV	Apr-99	PBR
RI	Narragansett, BVE, Newport	2930	E	DIV	Oct-99	Merger, Rate Plan
RI	Providence Gas Company	2581	G	DIV	Sep-00	Rate Plan
RI	Narragansett, BVE, Newport	3243	E	DIV	Dec-00	Trans. Charge
RI	New England Gas Company	3401	G	DIV	May-02	Rev. Req., Rate Plan
RI	Narragansett Electric Co.	2930	E	DIV	Sep-02	Prop. Tax Savings
RI	New England Gas Company	3459	G	DIV	Oct-02	Earnings Review
TX	Central Power & Light	21528	E	OPUC	Nov-99	Securitization
TX	TXU Electric	21527	E	OPUC	Nov-99	Securitization
VT	Vermont Yankee	6545	E	DPS	Feb-02	Plant Sale

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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-5

Date: July 28, 2003

KEDNE-1-5 Please identify all documents relied upon by Mr. Effron for knowledge of the SEC's and DTE's service company cost-allocation requirements. Please provide a copy of each identified document.

Response:

The statements made on pages 3-4 regarding how utility operating companies that are part of a holding company structure typically account for common or joint costs provided by a central service company are not necessarily based on any specific documents. Rather, they reflect his general knowledge based on his experience over the years, including his experience as a consultant to the Office of Attorney General in Massachusetts. Mr. Effron did not maintain a record of all documents reviewed in the preparation of his testimony.

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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-6

Date: July 28, 2003

KEDNE-1-6 Referring to Mr. Effron's testimony at pages 3-4, please describe in detail the specific "established cost allocation principles" adopted by the SEC or the DTE. Please provide all documents relied upon by Mr. Effron in responding to this request.

Response:

The referenced statement on pages 3-4 to "established cost allocation principles" was intended as a general statement rather than as a detailed description of cost allocation methods. Speaking generally, it is Mr. Effron's understanding that such principles would include direct assignment where possible, allocation of costs not directly assignable based on cost causation where possible, and allocation of costs not directly assignable or allocable based on causative factors based on an allocation factor or allocation factors generally reflective of the relative sizes of the entities to which costs are being allocated. Mr. Effron did not maintain a record of all documents reviewed in the preparation of his testimony.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-7

Date: July 28, 2003

KEDNE-1-7 Provide the historical inflation values relied upon on page 10, line 4, of Mr. Effron's testimony for the years 1998 through 2002 to establish the inflation escalation factor during this period.

Response:

Mr. Effron relied on the Gross Domestic Product Implicit Price Deflator ("GDPIPD") for the years 1997-2002 to establish the inflation escalation factor. Attached is the index for the relevant time period, with 1996 = 100.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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Attachment KEDNE 1-7

Title:	Gross Domestic Product: Implicit Price Deflator
Series ID:	GDPDEF
Source:	U.S. Department of Commerce: Bureau of Economic Analysis
Release:	Not Applicable
Seasonal Adjustment:	Seasonally Adjusted
Frequency:	Quarterly
Units:	Index 1996=100
Date Range:	1947-01-01 to 2003-01-01
Last Updated:	2003-06-26 9:05 AM CT
Notes:	A Guide to the National Income and Product Accounts of the United States (NIPA) - (http://www.bea.doc.gov/bea/an/nipaguid.pdf)

DATE	VALUE		
1996-01-01	99.39		
1996-04-01	99.74		
1996-07-01	100.22		
1996-10-01	100.63	100.00	
1997-01-01	101.34		
1997-04-01	101.82		
1997-07-01	102.12		
1997-10-01	102.49	101.94	
1998-01-01	102.76		
1998-04-01	103.01		
1998-07-01	103.38		
1998-10-01	103.65		
1999-01-01	104.12		
1999-04-01	104.51		
1999-07-01	104.83		
1999-10-01	105.27		
2000-01-01	106.07		
2000-04-01	106.68		
2000-07-01	107.12		
2000-10-01	107.68		
2001-01-01	108.65		
2001-04-01	109.32		
2001-07-01	109.92		
2001-10-01	109.78		
2002-01-01	110.14		
2002-04-01	110.48		
2002-07-01	110.76		
2002-10-01	111.25	110.66	1.0855
2003-01-01	111.90		

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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-8

Date: July 28, 2003

KEDNE-1-8 Provide the historical growth in the number of customers relied upon on page 10, lines 5-6, of Mr. Effron's testimony for the years 1998 through 2002 to establish the escalation factor during this period.

Response:

Mr. Effron relied on the growth in customers as indicated on Page 44 of the return to the D.T.E. for the relevant years.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-9

Date: July 28, 2003

KEDNE-1-9 Please show the derivation of the escalation rate of 1.1593 listed on Schedule DJE-1, including a description of how “real system growth” was accounted for in the calculation of the escalation rate. Please identify and provide all workpapers, calculations and underlying assumptions used.

Response:

The escalation rate of 1.1593 is equal to 1.03 raised to the fifth power. It represents the compound growth over 5 years, assuming an annual growth rate of 3.00%. The 3.00% annual growth rate represents a conservative estimate of the effect of inflation and system growth. The GDIPD index grew by approximately 8.55% from 1997 to 2002. The number of Boston Gas customers increased by 4.00%. The compound growth factor over the five-year period is 1.0855×1.0400 , or 1.1289, which is less than the 1.1593 compound growth used by Mr. Effron.

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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-10

Date: July 28, 2003

KEDNE-1-10 Did Mr. Effron consider any measures of “real system growth” other than the number of customers? If so, please discuss the measures considered and the reasons that these measures were not used in the calculation.

Response:

No.

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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-11

Date: July 28, 2003

KEDNE-1-11 Please provide Mr. Effron's definition of an "incremental" cost and indicate the basis that Mr. Effron uses to distinguish "incremental" from "non-incremental" cost.

Response:

Mr. Effron defines an "incremental" cost to be a cost that increases as the result of a particular activity, action, transaction, or event. A "non-incremental" cost would be a cost that does not increase as the result of a particular activity, action, transaction, or event.

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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-12

Date: July 28, 2003

KEDNE-1-12 Please provide the Department order or ruling, and indicate the specific language relied upon, to support Mr. Effron's contention that non-incremental costs should be allocated to Essex Gas Company and Colonial Gas Company.

Response:

Whether non-incremental costs should be allocated to Essex Gas Company and Colonial Gas Company is a legal issue that Mr. Effron did not address directly in his prefiled testimony.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-13

Date: July 28, 2003

KEDNE-1-13 Please identify all input assumptions (e.g., actuarial and financial, etc.) that are required to determine the Company's estimated periodic pension expense for a particular calendar year. Please identify and provide a copy of all documents used in answering this request.

Response:

The input assumptions (e.g., actuarial and financial, etc.) that are required to determine the Company's estimated periodic pension expense for a particular calendar year are identified in Statement of Financial Accounting Standards 87. Mr. Effron believes that the Company has a copy of this document in its possession. The financial/actuarial input assumptions would include, for example: the discount rate, the rate of return on pension fund assets, the annual rate of increase of future compensation, life expectancy of retirees, expected period of employment, and withdrawal rates prior to eligibility. For a more complete discussion of assumptions required to determine the Company's estimated periodic pension expense for a particular calendar year, refer to Statement of Financial Accounting Standards 87.

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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-14

Date: July 28, 2003

KEDNE-1-14 Please explain how the discount rate of 6.86 percent was determined in arriving at the interest cost component of the FAS 87 expense analysis shown on Schedule DJE-2, at page 2.

Response:

The discount rate of 6.86% is equal to 6.75% (response to AG-11-13) compounded semi-annually. The formula is $(1+.0675/2)^2-1$.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-15

Date: July 28, 2003

KEDNE-1-15 Please identify all pension plans known to Mr. Effron that include a discount rate of 6.86 percent in calculating pension expense for the calendar year 2003.

Response:

Mr. Effron has not conducted research of discount rates included in all other pension plans. Any plan assuming a 6.75% discount rate compounded semi-annually would be using an effective discount rate of 6.86%.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-16

Date: July 28, 2003

KEDNE-1-16 Reference Schedule DJE-2 at page 2, "Sources," line referencing the Discount Rate. Please explain the meaning of the * symbol next to the reference to AG-11-13.

Response:

The * symbol should be explained as "Compounded Semi-Annually." Please see a revised version of Schedule DJE-2 at page 2, which may have also inadvertently cut off the notes for Source (4) in the printing.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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Attachment KEDNE 1-16

Schedule DJE-2

Page 2

BOSTON GAS COMPANY
PENSION EXPENSE
(\$000)

	(1) Per Company <u>Estimate</u>		As <u>Calculated</u>
Service Cost	\$ 4,065		\$ 4,065
Interest Cost	14,186	(2)	12,969
Expected Return on Assets	(10,269)	(3)	(12,843)
Amortization of Prior Service Cost	796		796
Amortization of Net Actuarial (Gain) Loss	<u>8,588</u>	(4)	<u>7,594</u>
Net Periodic Pension Cost	<u>\$ 17,366</u>		<u>\$ 12,581</u>

Sources:

(1)	Response to AG-11-13		
(2)	Benefit Obligation 12/31/02	186,906	Note 5 to 2002 Financial Stmt.
	Service Cost	4,065	AG-11-13
	Discount Rate	<u>6.86%</u>	6.75% AG-11-13 *
	Interest Cost	<u>12,969</u>	
(3)	Fair Value of 12/31/02	155,520	Note 5 to 2002 Financial Stmt.
	Estimated Benefits Paid	8,859	Note 5 to 2002 Financial Stmt.
	Expected Rate of Return	<u>8.50%</u>	
	Expected Return on Assets	<u>12,843</u>	
(4)	Unrecognized Loss 12/31/02	75,938	Note 5 to 2002 Financial Stmt.
	Amortization Period	<u>10</u>	Assumed
	Amortization	<u>7,594</u>	

* Compounded Semi-Annually

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The Attorney General

Respondent: Effron

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-17

Date: July 28, 2003

KEDNE-1-17 Please provide a copy of any IRS regulations or rulings supporting Mr. Effron's recommended treatment of the amortization of the investment tax credit.

Response:

Mr. Effron's recommended treatment of the amortization of the investment tax credit is based on former Section 46(f)(2) of the Internal Revenue Code. The Internal Revenue Code is a publicly available document.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-18

Date: July 28, 2003

Q: KEDNE AG-1-18 Please provide copies of all prefiled testimony (including all associated exhibits and attachments) submitted by Ms. Smith to state and federal regulatory authorities (including the Federal Energy Regulatory Commission) from 1993 to the present relating to: (1) cost-of-service issues; (2) performance-based regulation or PBR plans; (3) any component element of a price-index or price-cap formula; (4) total factor productivity studies; or (3) utility cost efficiency studies.

Response: Attached are electronic copies of several of Ms. Smith's prefiled testimonies. Bulk hard copies are being provided for the Department and the Company only and are available to other parties upon request.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-19

Date: July 28, 2003

Q: KEDNE AG-1-19 Please list all matters on which Ms. Smith has consulted in the past five years by date beginning with the most current matters. For each matter, provide a brief description of the subject matter of the project and indicate for whom these services were provided.

Response: Attached is a document listing and briefly describing Ms. Smith's projects.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-20

Date: July 28, 2003

KEDNE-1-20 Reference page 10 of Ms. Smith's testimony. Please provide a copy of all Energy Information Administration documents reviewed by Ms. Smith in support of her testimony relating to the price of oil and gas between 1990 and 2000.

Response: See attached.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-22

Date: July 28, 2003

KEDNE-1-22 Reference page 11 of Ms. Smith's testimony. Provide all studies or other data known to Ms. Smith that support the conclusion that the productivity of the total utility industry is indicative of the productivity of gas utilities.

Response: Ms. Smith does not have any such studies.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-23

Date: July 28, 2003

KEDNE-1-23 Please provide a copy of all studies, documentation or data reviewed by Ms. Smith in preparation of her testimony that support Ms. Smith's conclusion on page 12 of her testimony that "the gas industry would experience productivity growth similar to productivity growth in the private business sector."

Response: See response to DTE AG 1-16.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-24

Date: July 28, 2003

KEDNE-1-24 Reference page 17, lines 29-30 and page 18, line 1. Please provide a copy of all relevant pages of the Handy Whitman index to support the change in index numbers for the time period between 1963 and 1983.

Response: These pages were provided in the response to AG 7-26.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-25

Date: July 28, 2003

KEDNE-1-25 Reference page 18, lines 23-24. Please provide all documents relied upon by Ms. Smith to support the statement that "Boston Gas is in a slower growth region than most of the western and southwestern utilities."

Response: See attached data from U.S. Census Bureau. All of the New England states except New Hampshire population growth rates have been in the lowest growth bracket from 1990-2000.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-26

Date: July 28, 2003

KEDNE-1-26 Reference page 19, lines 4-7. Please provide all documents relied upon by Ms. Smith to support the statement that “I expect that Boston Gas’ system is dense relative to the nationwide sample . . .”

Response: Please see response to DTE AG 1-21.

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
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The Attorney General

Respondent: Smith

D.T.E. 03-40

Information Request: IR-KEDNE AG-1-27

Date: July 28, 2003

KEDNE-1-27 Please provide all results and output of any model runs or calculations performed by Ms. Smith on behalf of the Attorney General using the Total Factor Productivity working model provided by Dr. Kaufmann.

Response: Dr. Kaufman did not provide the Total Factor Productivity working model. Attached is an electronic document containing the calculations made using the data provided in the response to AG-12-10 and in the updated data. Bulk hard copies are being provided for the Department and the Company only and are available to other parties upon request.